



## SANDPIPER GROUP

### **Sandpiper Publishes Presentation Highlighting Opportunity for Significant Value Creation at Artis REIT**

- Publishes detailed thoughts on Artis and the opportunity for significant value creation at the following link: [www.abetterartis.com](http://www.abetterartis.com)
- Outlines an actionable plan to ensure effective board oversight and governance, enhance capital allocation, increase distributions to unitholders, and properly evaluate and improve the future of Artis
- Believes fair value of Artis is \$16+ per unit
- Highlights that unitholders have suffered through extensive transactions with entities connected to the CEO's family and value-destroying capital allocation for far too long
- Seeks to replace five of the trustees of Artis with five highly qualified candidates
- Reiterates its opposition for the proposed Artis retail REIT spin-off

**VANCOUVER, BC, October 7, 2020** – Sandpiper Group, together with its affiliates ("Sandpiper"), a significant unitholder of Artis REIT ("Artis" or the "REIT"), announced today that it has published a presentation which details its concerns and plans for significant value creation at Artis. The presentation is accessible at the following link: [www.abetterartis.com](http://www.abetterartis.com).

"Despite our constructive engagement with Artis' management and the board of trustees of Artis over the past three years, it has become clear to us that their priority lies in protecting the status quo, which provides substantial benefits to the Martens family at the expense of Artis unitholders," said Samir Manji, CEO of Sandpiper. "This is about a long-standing history of poor capital allocation, extensive transactions with entities connected to the CEO's family, an ineffective and overpaid CEO, and an entrenched board that has failed to successfully govern, manage, and maximize value for all unitholders. As a significant owner of Artis, we believe our nominees can create meaningful long-term value by enhancing governance and taking definitive action. For this reason, we have requisitioned a special meeting of unitholders and have nominated five highly qualified and truly independent nominees who are prepared to roll up their sleeves and maximize value for all unitholders.

"As for the proposed retail REIT spin-off, we believe a stranded pure-play retail REIT is extremely undesirable and not net positive to unitholders of Artis. We do not believe that the spin-off is the optimal solution to fix the value gap problem.

"Given that Artis has put forward a significant transaction for approval by unitholders, and that Sandpiper's requisition asks unitholders to choose the stewards who will best represent unitholders' interests going forward, we have expressed to the board that it is both logical and necessary to combine these items of business at the REIT's proposed special meeting in November. This is a referendum on the future direction of the REIT and the meetings must be merged at an absolute minimum. We look forward to the meeting date being set forthwith absent which we intend on taking whatever steps are needed to advance the calling of a meeting to overhaul the board in November."

Sandpiper's presentation highlights why it believes Artis is grossly undervalued and the opportunities that are ahead with the right plan combined with materially enhanced governance and stewardship:

- **Misalignment of Interests:** Between missed opportunities, above-market compensation, write-downs and extensive transactions with entities connected to the CEO's family, Sandpiper believes value destruction is in excess of the current market capitalization and value will continue to be eroded unless immediate action is taken. Some of the failures under the current leadership include:
  - Disclosed related party transactions in excess of \$300 million since inception
  - Realized excessive fair value losses amounting to \$754 million since 2015
  - 50% distribution cut, resulting in significant losses and lost income for all unitholders
  - Persistently traded below management's stated NAV/unit with failure to close the value gap
- **Extensive Familial Transactions:** Since late 2017, coinciding with Sandpiper's initial discussions with the CEO, Mr. Armin Martens, the REIT stopped disclosing to the public its transactions with entities connected to the CEO's family. Post-2017, we are aware of extensive transactions with entities connected to the CEO's family which have not been disclosed.
- **Unlocking Trapped Value Rooted in Over a Decade of Poor Stewardship:** We believe Artis unitholders have been subjected to a complacent, cozy board and management team who are incapable of unlocking the substantial trapped value. **It is time to take immediate action to replace five of the seven current trustees with nominees who are aligned with the interest of the true owners of the REIT rather than the Martens family.**
- **Materially Undervalued Diversified REIT with Tremendous Embedded Value and Long-Term Potential:** Artis currently trades at a 45% discount to management's stated net asset value ("NAV") due to misaligned interests, strategic failures, and a clear lack of confidence in management and an over-tenured board.
- **Unitholders' Interest are Not Prioritized:** Artis' 2019 annual information form stated: *"There can be no guarantee that the Trustees and Officers of Artis, in acting in a capacity other than as a Trustee or Officer of Artis, will act in the best interests of Artis in connection with such other real estate activities"*. **This disclosure by Artis is troubling with the backdrop of \$300 million of related party transactions and extensive transactions with entities connected to the CEO's family which have not been disclosed.**
- **Large CEO Pay Package:** Mr. Armin Martens oversees an underperforming REIT, while receiving an exorbitant compensation package which speaks to a significant misalignment between his interests and those of unitholders. Since the REIT's internalization on January 1, 2012, Mr. Armin Martens' cumulative total compensation adds up to approximately \$34.2 million and consistently exceeds \$3 million per annum. Meanwhile, the unit price decline since the same date is negative 41%. In 2019, Mr. Armin Martens was awarded \$3.3 million of disclosed compensation, plus an additional \$6.6 million as a lump sum payment under a lucrative employment agreement signed upon the internalization of Marwest Management. Altogether, Mr. Armin Martens was the highest paid Canadian REIT CEO in 2019.

- **Insignificant Trustee Ownership:** A majority of the REIT's trustees have served on its board since the REIT's IPO in 2004. Excluding the CEO, trustees Edward Warkentin, Victor Thielmann, and Wayne Townsend collectively own a shamefully small slice of Artis at 0.09%. After 16 years as Chairman, Mr. Edward Warkentin only owns 0.03% of the outstanding REIT units while earning \$2.3 million in trustee fees since inception and has taken 95% of this in cash rather than in the form of units. With marginal skin in the game, the trustees are only nominally affected by Artis' unit price performance with no incentive to close the value gap. Furthermore, under Mr. Edward Warkentin's chairmanship, since Artis has traded on the TSX, unitholders have suffered a negative 44% unitholder price decline.

### **Sandpiper's Plan to Maximize Unitholder Value – A 5-Step Action Plan**

1. **Reset Board Structure & Compensation:** Sandpiper's slate is a tier-one board comprised of individuals who are aligned with unitholders and have extensive real estate, capital markets, and corporate governance experience. Sandpiper's slate of trustees is here to maximize value, not to enrich themselves – **board fees will be reduced by at least 25%. Sandpiper's nominee, Samir Manji, has committed to collecting ZERO board fees.**
2. **Address Ineffective Strategy:** Sandpiper's nominees will address the perennial discount that Artis' units trade for through the implementation of a 100-day plan that will enable the newly constructed board of trustees to establish and communicate Artis' go-forward plan. They will engage in a rigorous and detailed review and evaluation of all possible strategic alternatives for each asset class and geographic market with the goal of materially enhancing capital allocation to ultimately achieve higher distributions and value for all unitholders.
3. **Eliminate Extensive Transactions with Familial Entities:** A substantial change to the board of trustees of Artis with individuals who are aligned with unitholders will allow for the development and execution of a transformational vision. All transactions with entities connected to the CEO's family will be eliminated.
4. **Reduce G&A Cost Structure & Increase the Distribution:** Significant reductions to expenses, including in G&A, will be implemented. These savings are anticipated to allow for an immediate increase to the distribution by at least 10% to put more money in the pockets of all unitholders.
5. **Communicate to all Unitholders the Go-Forward Strategy & Underlying Value Potential:** A well-defined go-forward strategy will generate renewed investor confidence and demonstrate the potential value that can be achieved through stronger governance and effective execution.

**Sandpiper is committed to ensuring that Artis undertakes and properly executes this 5-step action plan to realize the potential underlying value of \$16+ per unit while also delivering higher distributions to unitholders.**

### **Sandpiper Opposes Proposed Artis Retail REIT Spin-Off**

The proposed retail REIT spin-off is yet another misguided move by an entrenched board and management team to distract unitholders from their persistent failures and chronic underperformance. The spin-off is high-risk and comes at a time when retail is facing its hardest struggles. We believe **Artis conveniently timed its announcement to abate Sandpiper's call for positive long-term value creation and further disenfranchise unitholder rights.**

### What the proposed retail REIT means for Artis' unitholders:

- **Artis Retail REIT Unitholders will Own an Orphaned REIT with Limited Growth Potential:** Artis Retail REIT will be a small-cap, externally managed retail REIT with assets in Alberta, Manitoba and Saskatchewan.
- **An Illiquid, Out-of-Favour Retail REIT:** Given the current market environment, the public market is not likely to place a high value on this new Western Canadian retail REIT. Additionally, many institutional unitholders will have to sell their Artis Retail REIT units upon spin-off because it is too small to qualify for any notable index inclusion. We believe that more than 10% of units outstanding will be sold based on investment mandates and create an overhang on the unit price.
- **A Smaller Diversified REIT plus an Insignificant Retail REIT:** The proposed retail spin-off will convert Artis REIT into a smaller diversified REIT **PLUS** a troubled retail REIT. **Unitholders want a clean, outright sale of these retail assets in a prudently strategic manner, NOT a spin-off.**

Sandpiper reiterates its call to management to merge the meeting to appoint Sandpiper's highly qualified nominees with the special meeting for the retail spin-off. This is a referendum on the future direction of the REIT and the meetings must be merged at an absolute minimum. We look forward to the meeting date being set forthwith absent which we intend on taking whatever steps are needed to advance the calling of a meeting to overhaul the board of trustees of Artis in November. Sandpiper also urges unitholders to reject the proposed retail spin-off.

### ADVISORS

Sandpiper has retained Gryphon Advisors Inc. as its strategic shareholder services advisor. The Special Situations Group at Norton Rose Fulbright Canada LLP is acting as legal counsel.

### ABOUT SANDPIPER GROUP

Sandpiper is a Vancouver-based private equity firm focused on investing in real estate through direct property investments and public securities. For more information about Sandpiper, visit [www.sandpipergroup.ca](http://www.sandpipergroup.ca).

### FOR MORE INFORMATION:

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### Additional Information

On September 30, 2020, Sandpiper requisitioned (the **Requisition**) the Board of Artis to call a special meeting of unitholders of Artis (the **Meeting**) for the purpose of replacing certain members of the Board with nominees of Sandpiper (the **Sandpiper Nominees**).

The information contained in this news release does not and is not meant to constitute a solicitation of a proxy within the meaning of applicable securities laws. Although Sandpiper has requisitioned the Meeting, there is currently no record or meeting date and unitholders are not being asked at this time to execute a proxy in favour of the Sandpiper Nominees or any other

resolutions set forth in the Requisition. In connection with the Meeting, Sandpiper may file a dissident information circular in due course in compliance with applicable securities laws.

Notwithstanding the foregoing, Sandpiper is voluntarily providing disclosure required under section 9.2(4) of National Instrument 51-102 – *Continuous Disclosure Obligations* in accordance with securities laws applicable to public broadcast solicitations. In connection therewith, certain information regarding, among other things, the Sandpiper Nominees has been provided by Sandpiper in its press release dated October 1, 2020 (the **Nominee Announcement**) under the sections entitled "Information Concerning the Concerned Unitholder Nominees" and "Additional Information". The Nominee Announcement has been filed by Sandpiper and is available for review on Artis' SEDAR profile at [www.sedar.com](http://www.sedar.com).

The information contained herein and any solicitation made by Sandpiper in advance of the Meeting is, or will be, as applicable, made by Sandpiper and not by or on behalf of the management of Artis. All costs incurred for any solicitation will be borne by Sandpiper, provided that, subject to applicable law, Sandpiper may seek reimbursement from Artis of Sandpiper's out-of-pocket expenses, including proxy solicitation expenses and legal fees, incurred in connection with a successful reconstitution of the Board.

Sandpiper is not soliciting proxies in connection with the Meeting at this time, and unitholders are not being asked at this time to execute proxies in favour of the Sandpiper Nominees (in respect of the Meeting) or any other resolution set forth in the Requisition. Proxies may be solicited by Sandpiper pursuant to an information circular sent to unitholders after which solicitations may be made by or on behalf of Sandpiper, by mail, telephone, fax, email or other electronic means as well as by newspaper or other media advertising, and in person by directors, officers and employees of Sandpiper, who will not be specifically remunerated therefor. Sandpiper may also solicit proxies in reliance upon the public broadcast exemption to the solicitation requirements under applicable Canadian corporate and securities laws, conveyed by way of public broadcast, including through press releases, speeches or publications, and by any other manner permitted under applicable Canadian laws. Sandpiper may engage the services of one or more agents and authorize other persons to assist in soliciting proxies on behalf of Sandpiper.

Sandpiper has retained Gryphon Advisors (**Gryphon**) to assist Sandpiper in soliciting unitholders should Sandpiper commence a formal solicitation of proxies. Gryphon's responsibilities will principally include advising Sandpiper on governance best practices, where applicable, liaising with proxy advisory firms, developing and implementing unitholder communication and engagement strategies, and advising with respect to meeting and proxy protocol.

Sandpiper is not requesting that Artis unitholders submit a proxy at this time. Once Sandpiper has commenced a formal solicitation of proxies in connection with the Meeting, proxies may be revoked by instrument in writing by the unitholder giving the proxy or by its duly authorized officer or attorney, or in any other manner permitted by law, the declaration of trust of Artis. None of Sandpiper or, to its knowledge, any of its associates or affiliates, has any material interest, direct or indirect, (i) in any transaction since the beginning of Artis' most recently completed financial year or in any proposed transaction that has materially affected or would materially affect Artis or any of its subsidiaries; or (ii) by way of beneficial ownership of securities or otherwise, in any matter proposed to be acted on at the Meeting, other than the election of trustees to the Board.

Artis' principal office address is Suite 600 – 220 Portage Avenue, Winnipeg, Manitoba R3C 0A5.